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Resumption of specie
payments

Washington

1876

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RESUMPTION OF SPECIE PAYMENTS.

SPEECH
OF
HON. WASHINGTON TOWNSEND,
OF PENNSYLVANIA,
IN THE
HOUSE OF REPRESENTATIVES,
FEBRUARY 19, 1876.

"Nearly every nation which has ever used paper money has fixed its amount, and set limits which it has solemnly promised again and again not to pass; but such promises are vain. The intention when they are made is honest, but it is impossible to keep them. A man might as well jump off a precipice, intending to stop half-way down."—PROF. SUMNER'S AM. CURRENCY, p. 214.

"But there is no subject that can enter with greater force and merit into the deliberations of Congress than a consideration of the means to preserve and promote the manufactures which have sprung into existence, and attained an unparalleled maturity throughout the United States during the period of the European wars. This source of national independence and wealth I anxiously recommend therefore to the prompt and constant guardianship of Congress. — MADISON'S MESSAGE OF FEB. 20, 1815.

WASHINGTON.
1876.

SPEECH
OF
HON. WASHINGTON TOWNSEND.

The House being as in Committee of the Whole for debate only—

Mr. TOWNSEND, of Pennsylvania, said:

Mr. SPEAKER: I, too, wish to speak for the toiling millions, but not in accord with my distinguished colleague from Philadelphia. I had hoped that the propriety of a resumption of specie payments at an early day and a preparation for resumption on January 1, 1879, had been acquiesced in by political parties because of the unmistakable wish of the people, which has been so often and so emphatically expressed.

The first act passed by Congress under the present Administration, in 1869, was an act to strengthen the public credit of the nation, by declaring that the bonded debt and legal-tenders were payable in gold, and that measures should be taken to establish an early resumption of specie payments. The democratic and republican national conventions of 1872 made declarations to a similar effect; and the voice of the people was most clearly made manifest during the recent State elections, and most notably in Ohio and Pennsylvania.

In these two States, the democratic party, reversing its frequently declared sentiments and antagonizing its long time Jacksonian and Bentonian traditions in favor of a hard money or convertible currency, placed itself in opposition to resumption, declared in favor of additional issues of legal-tenders and of the extinction of the national banking system, and the substitution of State banks in its stead. It went to the people on that issue. The merits of the question were discussed at every cross-roads store, in every district school-house, in town and county conventions, and after a thorough examination of the whole financial question the people declared in favor of a redeemable currency by a defeat of the democratic candidates for governor in the States just mentioned.

With such an emphatic declaration of public sentiment there should be no hesitation on the part of Congress as to its duty; and although some bills have been presented to the House based on the principles of those democratic platforms which, if passed, would defeat the will of the people thus expressed; yet believing from the vote on the Holman resolution and other indications that there is a majority in Congress having a determination to respect the popular will by providing for a resumption of specie payments sooner or later and furnishing the people with honest money, I desire to offer some suggestions as to the best method of providing for such resumption.

The act of 1875 provides for the redemption of the legal-tender notes of the Government after January 1, 1879. I opposed the pas-

sage of the bill for several reasons, among which were these; that it was pushed through the House under the operation of the previous question, thus cutting off nearly all debate and all opportunity of amendment; that it surrendered the sovereign prerogative of regulating the currency to two thousand banks; that it provided for redemption at a single place in this wide nation and on sums not less than \$50, thus making it a bankers and brokers' and not a poor man's redemption; and because it was so imperfect that it could not be executed without other legislation than that which it contained.

The correctness of my views stands confirmed in the fact that both the President and Secretary of the Treasury have recognized its deficiencies and recommended that they be supplied.

Notwithstanding my original objections, as an opportunity now occurs, and as a disposition is now manifested to carry out the spirit if not the letter of the law, and the time of redemption has been fixed and great masses of the people are turning their minds toward doing their part in effecting that result, I will earnestly oppose any postponement of the time already named, and will advocate any means that will aid in the contemplated redemption. I propose, therefore, to offer some suggestions as to the measures which seem to me to be necessary to effectuate the intention of the act of 1875.

In considering the best means of restoring the currency of the Government to a specie basis we should first ascertain the obstacles in the way of resumption, and afterward the most appropriate methods for their removal.

The first great obstacle, in my judgment, lies in the depreciation of the legal-tenders. This arises from several causes. In 1864, toward the close of the war, the legal-tenders had depreciated until they were worth only forty cents in the dollar. This arose from the doubt in the minds of capitalists and the people whether the Government would be able to suppress the rebellion, and whether it would not have to make, under sheer necessity, a still further issue of legal-tenders. This doubt, however, ceased with the surrender of Lee, in April, 1865, and the greenbacks rose and fluctuated in that month between sixty-two cents and seventy cents in value, expressed in gold. With the removal of that doubt, however, there still remained the distrust that the enormous debt imposed upon us by the war would be too heavy for the nation to bear, and that the taxation necessary even to keep down the interest would be so onerous as eventually to result in repudiation.

The rehabilitation of the rebellious States to their original political position in the nation; their appearance in Congress by their Senators and Representatives, who have sworn allegiance anew to the Constitution and declared that hereafter they want but a common flag, a common nation, and a common destiny, aided by a taxation that has made manifest the wonderful resources of the people, enhanced still further the value of the legal-tenders, until, in 1870, they rose in value to eighty-three cents in gold.

The great recuperative powers of the Government, by which we paid off five hundred millions of public indebtedness in a very few years, established our credit among the nations of the world, and enabled the Secretary of the Treasury to reduce \$500,000,000 of the 6 per cent. bonds to 5 per cents, thus saving five millions in interest annually, and enhanced the value of the legal-dollar to eighty-nine cents, where, with a few fluctuations upward or downward, it has remained for the last four or five years.

All doubt of the perpetuity of the nation having been removed, and

the credit of the bonded debt being above par in gold, two elements of discredit have been eliminated from the problem, and there can only remain one other reason for the depreciation of the greenback, and that is its superabundance or redundancy. This is evident from several facts, among which are these, that the bonds of the Government are above par as just stated, while the unimpeachable credit and eventual ability of the Government to redeem the legal-tenders are insufficient to keep them at par. As they form, in common with bank-notes and bank deposits, the current means of every day's business transactions, and are influenced by them, they must be considered in connection therewith.

In 1861 the legal-tenders, bank-notes, and deposits amounted to seven hundred and nine millions, or \$21.51 *per capita*; in 1866 those items were increased to twelve hundred and sixty-two millions, or \$35.31 *per capita*; in 1875 they were increased to fourteen hundred and fifty-six millions, or, as population had increased rapidly, they amounted to \$33.10 *per capita*. All this was independent of the deposits of savings-banks and State banks, which amounted to thirteen hundred and forty-six millions in the latter year; and as these were also mostly payable on demand or at short notice, it would swell the amount of ready and available cash or its equivalent to a *per capita* rate of \$63.70—a larger rate of ready money to the individual than could be found in any other nation of the world. Add to all this the fact that there is now lying idle in the Treasury and in the national banks, over and above their reserve, the sum of \$125,000,000 which cannot be used by its owners profitably, and we can readily see that there is more available ready money on hand than the necessities of domestic and foreign commerce require.

Now, money is much like other commodities. If it is in excess, it depreciates; if it is in deficiency, it appreciates. That it is in excess is shown by the figures I have just given, and also that its depreciation does not arise from any doubt of the ability of the Government to eventually liquidate its whole indebtedness.

There is, however, a greater obstacle than a depreciated currency to be removed before the Government can resume specie payments and maintain such a resumption. That obstacle is to be found in the fact that we are a debtor nation, and that our resources are annually drawn from us to pay our annual interest and the annual balances arising from our foreign traffic.

It is generally acknowledged that our indebtedness to foreign nations is over \$2,000,000,000. The great leader of the democratic party in 1872, its standard-bearer and candidate for the Presidency, estimated that our annual interest due to foreigners was one hundred and twenty-five millions. A part of our bonded debt has been reduced from 6 per cents to 5 per cents, and a part has been paid since then. Governor Tilden, in his late message, estimates the annual interest still due abroad at one hundred millions. How that heavy indebtedness was incurred and the annual burden imposed upon us is easily explained to us in the Treasury reports, which show an extraordinary expenditure engendered by a superabundant currency, profitable war contracts, extravagant habits, and all the concomitants attendant upon a vicious circulating medium, the result of the late war.

Beginning with the war of the rebellion in 1861 and concluding with the fiscal year ending in 1875, we find that we imported of foreign merchandise \$6,307,800,000, and of foreign specie \$285,500,000, amounting in all to \$6,493,300,000. To settle this indebtedness we exported of our own domestic merchandise only \$4,817,700,000, and of

foreign merchandise, \$21,400,000. These sums did not balance accounts between us and foreign nations, and we added to them of our own specie \$353,100,000, and of foreign specie \$122,100,000; amounting in all to \$6,130,300,000, leaving us still short \$364,000,000 on the custom-house books.

As the amount of gold in the country in 1860 was estimated at \$275,000,000, in 1861 at \$250,000,000, and is now estimated by the Director of the Mint at only \$140,000,000, it is evident that in settling with foreign nations we paid them every dollar of the gold we raised from the mines, and drew on our reserved fund for \$135,000,000 more. This was only the balance of trade as shown by the custom-house books, and not the balance of accounts as shown on the great national ledger when we made our annual settlement with the outside world. To this again must be added at least 5 per cent. for undervaluations on the imports, making at least twenty-five to thirty million dollars per annum. In addition we may safely add \$5,000,000 for smuggled goods, for which we have to pay.

Before the war we carried three-fourths of our products to foreign countries in our own vessels and realized the freights thereon, which amounted to many millions; but now we have but one-third of the carrying trade of our own products, and hence have to pay to foreigners for carrying the remaining two-thirds of our commodities, which is another heavy item of our annual indebtedness, the amount of which I am unable to estimate. It is many millions.

To all these must be added the annual payment of \$100,000,000 or more of interest on national, railroad, State, and municipal bonds, which does not appear on the custom-house books, and with these matters operating against us more or less during the period mentioned, we can readily understand how the immense indebtedness abroad has originated, and appreciate the fact that we are a greatly indebted nation.

If we should examine the Treasury reports alone, which show a custom-house balance in our favor for the last two years, we might conclude we are a creditor nation, but when we take into the calculation those circumstances above mentioned, which never show on the custom-house ledgers, we cannot but conclude that we have still to provide for an annual deficit of perhaps \$100,000,000.

With such an annual balance against us, drawing from us every dollar of gold that we raise from the earth and also encroaching on our surplus with silver rapidly depreciating in the market of the world because of the disease of it as a legal-tender in Germany, Denmark, Sweden and Norway, we cannot hope to maintain a redemption of the greenbacks and a general resumption of specie payments. As the law now stands, it is a financial impossibility. We can only hope to bring about a resumption by making ourselves a creditor nation.

The ease with which a creditor nation can manage great financial burdens was most notably exhibited recently in the case of France. When Prussia placed her foot on the neck of France and imposed upon her a fine of five billions of francs in gold and silver or their equivalent, amounting to \$1,000,000,000, to pay her expenses in the war, and gave her only three years to pay it, the world stood aghast at the magnitude of the penalty and the short time in which it was to be liquidated. But France was equal to the emergency. She was a creditor nation. Almost all the world owed her tribute, and her people had hoards of specie besides. She drew her bills on her debtors, England, Holland, Belgium, even Prussia, owed her, and by her drafts

on these nations she liquidated nine-tenths of her indebtedness before the stipulated time, and settled the balance with about fifty millions of dollars in gold and as much in silver; and in all the war the notes of the Bank of France did not fall more than 3 per cent below par.

Our case has been exactly the opposite. We have been and are still a debtor nation; and the legal-tender notes of the Government and the national-bank notes fell as low as forty cents in the dollar. If, then, we hope to effect specie payments within the time designated, we must remove the obstacles of which I have spoken. I have no doubt we can do it if we make the proper preparation.

As our currency is redundant, the first thing, to us, is to get rid of the redundancy. That will be most easily effected by authorizing the Secretary of the Treasury to fund all the greenbacks that may be presented to him in a 4 per cent. bond, payable in thirty or forty years, with interest payable quarterly in gold. As the bond will be at a lower rate of interest than that which prevails in ordinary business transactions, it will only draw off the surplus moneys that are not needed for business operations and which are lying idle and unprofitable.

The greenbacks should be funded whenever presented, and not by monthly installments; and if when business revives the volume of currency should be found too restricted, the remedy is at hand and easily to be applied by the aid of the national banks, which now can be created to an unlimited number and whose issues can only be confined to the limits of the United States loans they can command as a basis of circulation. They will afford a remedy for any stringency in the currency that might be effected by the withdrawal and funding of the legal-tenders; and this withdrawal should not stop when the limit of \$200,000,000 is reached, but should be continued as long as their holders desire to fund them. This would be but a renewal of the privilege granted by the act of 1862, and which was unfortunately repealed by the act of 1863. The operation of such a system will render the greenbacks more valuable as they are retired, and will bring them nearer the price of gold; and, as it was with the books of the Cuman sibil, it will also be with the legal-tenders—the destruction of some will enhance the value of the remainder.

While this policy will bring the value of the legal-tenders more nearly to that of gold, and will discourage imports and encourage exports to a certain extent, it will make resumption more easy, because of the less amount to be redeemed, and of a reduction of the balance of trade against us, but it will not entirely provide for a full redemption by the Treasury, and a permanent resumption by the banks as well. To effect such resumption we must accumulate a store of gold. We must have under the control of the Government and the banks at least \$250,000,000 in gold.

The act of 1875 provides that the Secretary of the Treasury may sell bonds to obtain gold. But where can he sell them and get it? Not in England, because she has none to spare. When we obtained the award of \$15,000,000 in the Alabama case, England insisted that we should not draw it in gold but in bonds, for it would otherwise disturb her money market. Not from Germany, Sweden, Denmark or Norway, for they have recently adopted gold as their standard for their legal-tender coinage, and are accumulating it for the wants of their own people. Not from Belgium, Switzerland, Italy, Netherlands, Portugal, or Spain, for their currency is of the double standard and largely in silver. Not in France, for she has not resumed specie pay-

ments, and the Bank of France has \$300,000,000 in gold and is hoarding more preparatory to her resumption.

If the Secretary of the Treasury should throw upon the European market bonds of sufficient amount to obtain one-quarter of the sum in gold necessary to effect specie resumption it would agitate every money market and exchange in Europe and disturb the whole monetary affairs of that part of the globe. It would at once raise the rate of interest in the Bank of England and other financial institutions so high as to make it more profitable to have the gold at home than to let it come to America, and in less than a month after it had reached our shores it would be on its return to the European money centers. To attempt to supply our country with gold by such an artificial process with a hope to retain it to perpetuate a resumption of specie payments would be as idle as to expect to retain water in a sieve.

The question then arises, How shall we accumulate enough specie to effect and maintain redemption and resumption? It cannot be done by any artificial process! It must come by the operations of trade and commerce. It must be effected by making ourselves a creditor nation, like France, instead of being a debtor nation, as we are and have been for fifteen years. We must buy less and sell more. We imported during the last fiscal year over \$550,000,000 worth of the products of foreign industry, as Dr. Young's valuable tables show. Of this immense sum \$250,000,000 were dutiable and consumed, more than one-half of which could be manufactured here if sufficient legislative encouragement were given. For instance, we imported of—

Breadstuffs.....	\$9,000,000
Buttens.....	2,000,000
Cotton manufactures.....	24,000,000
Earthenware.....	4,000,000
Glass.....	5,000,000
Iron and steel.....	\$20,000,000
Leather, nearly.....	10,000,000
Lead, nearly.....	2,000,000
Provisions.....	1,000,000
Flaxseed, nearly.....	6,000,000
Tobacco and cigars.....	7,000,000
Lumber, nearly.....	55,000,000
Wool and woolen manufactures.....	55,000,000
Total.....	151,000,000

If we were to add other small items it would raise the whole amount to one hundred and sixty millions of dollars' worth of articles that we ought to produce or manufacture at home.

Why should we not manufacture at least one-half that amount, say eighty millions, and keep that amount of money in the country, instead of sending abroad our gold to pay for such productions? We have the raw material in abundance, ready for use, on every side. We have machinery of the most ingenious kind in our manufactories of woolen, cotton, iron, wood, and other materials. We have mechanics and artisans well skilled in all branches of industry, thousands of whom are idle, yet anxious and willing to work, but whose labor is displaced by the cheaper labor of other nations.

Then, why should we not have such legislation as will give to our working-men the manufacture of a portion at least of those articles already mentioned, so as to prevent a part of the annual drain of gold for the benefit of other nations and retain it within ourselves as an increasing fund for banks and treasury toward the necessities of the day of resumption?

National dignity, national pride, national honor repeatedly pledged,

all require that we should use all proper means for accumulating a fund wherewith to liquidate our dishonored indebtedness.

By such legislation we would give employment to the thousands of unemployed artisans and workmen now standing idle around our ship-yards, our mills, and manufactories, and would give food and clothing to their half-fed and half-clad families.

The retention of \$80,000,000, or even less, in our country of what we pay for foreign manufactures would set the wheels of industry in motion in every direction, and would give employment and compensation to those to whom we are bound by every tie that binds citizens to a common country and the government thereof to the citizens.

It may be said, however, that our refusal to take that amount of foreign productions would lessen the revenue to a considerable extent. It would, of course, lessen the revenues to the amount of duties that would otherwise be collected from such importations, but they could be replaced by curtailing some of the expenses of the Government, and by the enhancement of the value of our currency. These expenses are annually decreasing as we recede from the war and the heavy burdens it has imposed.

I call the attention of the Committee of Ways and Means to the subject, for it is within their province to propose all legislation affecting imports from foreign nations and of raising the ways and means for the redemption of the national currency. I am well aware that this involves the question of adjusting duties, and that to so lay them as to give the home market to our own citizens will be assailed by some as protection and denounced by others as monopoly, and by still others as robbery, as has been done heretofore.

It will no doubt be urged that any legislation effective of the end I propose will be a tax on the consumer of the articles for the manufacture of which a preference is given to the American citizen, and will insure a rise in prices, not only of the imported article, but of all similar articles produced here, on the allegation that all duties have to be paid by the consumer of the dutiable article and that they equally affect similar articles produced at home. I do not admit the doctrine. Experience proves it untrue. If such a doctrine were true, how is it that all commodities upon which sufficient duties have been imposed, and which could be manufactured in our country, have fallen in price? How is it that Bessemer steel has fallen to one-half the price it cost before we began under an adequate duty to manufacture it here? The consumers of steel surely cannot complain while they profit so highly from the results of a duty. If it were true, the farmers and planters cannot complain, for their wheat, rye, corn, oats, barley, buckwheat, rice, and tobacco are all protected by various rates of duties; and in 1790 the amount of those articles raised in our country was enhanced in price, according to that theory, to the amount of \$262,000,000.

If the theory that duties always enhance prices is true, the converse of it ought also to be true, that repealing duties will lower prices; yet when Congress took the duties off tea and coffee the prices did not fall, but were kept up for the benefit of the foreign producer, as the Treasury reports have shown. Our fathers did not admit the doctrine, for almost the first act they passed in the First Congress was intended to give the preference in manufactures to our own people.

In its earlier and better days the Tammany Society of New York, did not believe it, for in 1819 it

Resolved, That we discountenance the importation and use in our families of every species of foreign manufacture or production which can or may be reasonably substituted by the fabrics or productions of the United States.

I do not, however, propose to argue the principles now upon which a tariff should be adjusted. I only want to call the attention of the House to the fact that we annually import between five hundred and fifty and five hundred and sixty million dollars' worth of foreign articles, of which a large amount could be as well made at home, and by so doing give employment, bread, and clothing to thousands of deserving men now out of work, who are impoverished and a burden on the community, and to the necessity of retaining as an accumulating fund toward resumption a sufficient sum to enable the Government and the banks easily to resume specie payments in 1875.

I wish to impress upon it the still more important fact that under existing laws we are annually increasing our foreign indebtedness, already two thousand millions, to the amount of one hundred millions or more, and drifting still further away from the possibility of resumption, and that without additional legislation to prevent that annual drain on our resources the resumption of specie payments will remain a financial impossibility. Such a startling fact should well give us pause.

The withdrawal of the surplus legal-tenders will no doubt take away a heavy burden of irredeemable currency that has been enhancing prices, making them unstable, delusive, and unsatisfactory, and vitiating the channels of trade and commerce, to the disadvantage of the fair dealer and the enriching of the reckless and dashing speculator.

The redundancy of the currency has made this country the best in the world in which the foreigner could sell, because of the unnatural prices it gave to all commodities. It made it the worst in the world to export from, because of the high prices it gave to the raw materials and labor, making the finished production too dear to enter into competition with the markets of the world. It deluded the workman, for, although it enhanced his wages slowly, yet it advanced prices of all articles he consumed more rapidly and in a greater proportion.

When my old colored friend John Brown was mowing my lawn during the war I asked him why it was that he charged me twice as much wages as he had done a few years before. His reply was, "Ah, Mr. TOWSEN, your two dollars and a half to-day will not fill my market-basket to-morrow morning near as full as your dollar and a quarter did a few years ago." John Brown understood the subject practically. He was a political economist without knowing it.

It deluded the farmers, because, as Professor Perry told them at Omaha in 1874, "it is true that farmers always have been and always will be the greatest losers from rag money, partly for the reason that I have just given—namely, that what they have to buy is enhanced in price by it, while that they have to sell is *not* enhanced in price by it—and partly, also, because it takes the farmer almost a year to realize on his crops, and he cannot meanwhile insure himself against the inevitable changes in the currency. The dollar in which he calculates the expenses of his crops is almost sure not to be the dollar in which he realizes the results of his crops. He cannot calculate; he cannot insure himself; he is helpless."

John Stuart Mill has well said:

Although no doctrine in political economy rests on more obvious grounds than the mischief of a paper currency not maintained at the same value with a metallic one, either by convertibility or by some principle of limitation equivalent to it, and, although, accordingly, this doctrine has, though not till after the discussions of many years, been tolerably effectually drummed into the public mind, yet dis-

sentients are still numerous, and projectors every now and then start up with plans for curing all the economical evils of society by means of an unlimited issue of inconvertible paper. There is, in truth, a great charm in the idea. To be able to pay off the national debt, defray the expenses of government without taxation, and, in case a man is capable of believing that printing a few characters on paper will do it. The philosopher's stone could not be expected to do more.

There is, therefore, a great preponderance of reasons in favor of a convertible preference to even the best-regulated inconvertible currency. The temptation to oversave, in certain financial emergencies, is so strong that nothing is admissible which can lead, in however slight a degree, to weaken the barriers that restrain it.

I earnestly commend this doctrine to the study of the democratic syndicate which is now vigorously wrestling with the currency question, and which has in charge the delicate and difficult task of harmonizing the conflicting opinions of leaders of the party on that question, and which, I hope, will present some feasible scheme of sustaining the nation's pecuniary credit and upholding the nation's repeated pledges of a specie resumption.

In short, such a currency benefits no one but the keen, sharp, shrewd speculator, who is always on the watch to take advantage of every change in the money market and to be a bull or a bear or to make a corner in stocks, gold, currency, or commodities, as the opportunity may offer.

Taking away this redundancy will bring prices to their normal condition, restrain in some degree excessive importations, restore confidence to business men, encourage legitimate business affairs, and raise the balance of the currency nearer to a par in gold, and make more easy the task of resumption.

If we can, in addition, so legislate as to give to our workmen the opportunity of creating a portion of those commodities we now purchase abroad, we will retain a portion of the gold now paid to foreigners and give it to our own people, and recognize the principle that should always be present to every patriotic mind that the work of America should be done by the workmen of America.

The products of our mines, which now pass from our hands as rapidly as they are produced, will remain within our borders and the resumption of specie payments by banks and Government within the time prescribed will be an absolute certainty. Without the adoption of this policy resumption, in my judgment, cannot be effected. To make it the people's and not the brokers' resumption the law should be so amended as to make the legal-tenders redeemable at some point in every city of the Union and whenever presented in sums from one dollar upwards. As the law now stands, those having less than \$50 who wish their notes redeemed will have to submit to such a shave as the broker may demand before he will give them gold for their legal-tenders.

In this connection, and before I conclude, I desire to allude to the fact that a great many bills have been introduced into Congress this session, some intending to provide for specie payments and others to postpone it indefinitely.

The favorite idea of democratic resumptionists seems to be that the Treasurer should reserve a portion of the duties and the banks should retain a portion of their interest on the bonds they own, all of which are payable in gold, as an accumulating fund toward resumption.

The lowest amount to be retained annually by the banks, so far as I have observed, is 5 per cent. on the amount of their circulation and 5 per cent. by the Government on its legal-tenders, and that the time for resumption fixed in the act of 1875 should be postponed until banks and Government could by this process resume.

I am unable to conceive of a scheme that would be more likely to defeat the end intended than this, and to disturb commerce in every quarter. This policy would lock up in the first year \$85,000,000, almost as much as the Government owns, and in the second year as much more, being a greater amount than both banks and Government now hold. As this locking-up process went on gold would become more scarce, and would rise in price far beyond the present figures, and the merchant would find difficulty in obtaining it to pay duties; and as the Government would be required to hold the amount locked up, it would experience great trouble in obtaining enough to pay its interest, for which the faith of the nation is pledged.

The result of this policy would be to give to the gold speculator an early opportunity to make a corner in gold and raise its price to an extraordinary figure, to the destruction of all legitimate commerce, the embarrassment of the banks, and the discredit of the nation. All artificial expedients like these to procure a resumption of specie payments will inevitably fail, for the end desired can only be obtained by a close observation of and respect for the fixed principles that govern currency and those that regulate internal and external commerce.

We ought not, therefore, to adopt the policy of locking up gold, and thus create a stringency in the gold market that would inevitably embarrass commerce in every direction. Neither should we adopt the opposite policy of repealing the resumption law. We must have the courage and determination to sustain that law. The preparation for it has already begun. Some ten or twelve millions of subsidiary coin have been prepared, and it cannot be a great while before there will be sufficient to supply the place of the fractional currency and to give to the people for their minor transactions of every-day life a money that will have inherent value instead of the dirty, greasy, and ragged shin-plasters that have to be renewed every fifteen months. This will be a good beginning.

If, however, we should repeal the resumption law, the sure result would be that the day of resumption being thus indefinitely postponed, the people would at once start forward again in speculative enterprises that would appear to be legitimate business activity; the banks would foster it by extending their loans and discounts, new projects of all kinds would be instituted, and while a seeming prosperity would ensue, the inflation of the currency would again exaggerate prices and make necessary more money for business, until credit was stretched to its utmost limit and until on some fine morning a whisper of distrust of some great banking-house in Wall street that had overtraded in stocks, gold, or securities would be heard around, followed by a run and then a crash that would bring down thousands in a common ruin, followed in all probability by a national repudiation.

If, then, we wish to avoid an indefinite suspension of specie payments with all its attendant evils, we cannot do it by substituting one national paper obligation payable on demand for another; we cannot do it by an artificial and enforced contraction of the gold supplies; we cannot do it by substituting legal-tenders for national-bank notes; we can only do it by absorbing and retiring a portion of the legal-tenders, thus appreciating the value of the remainder, and by such legislation as will make us a creditor instead of a debtor nation. By such absorption and legislation gold will flow in upon us in small rills from every country, until the accumulated mass before the day of resumption will be so large that banks and Treasury will be enabled to pay their notes, to all who may demand it, in the honest cur-

rency recognized as such by all the world, and a safe and sound business conducted on legitimate principles will restore us again to a permanent national prosperity.

APPENDIX.

But when a nation is year after year drawn upon for coin to pay balances standing against it in the foreign marts whither its produce is sent, whence its fabrics and wares are imported; when its banks, because of such drafts find it difficult and sometimes impossible to maintain specie payments; when the obligations of its government, States, provinces, counties, or cities, and of its industrial or moneyed corporations are constantly tending abroad for sale even at ruinous rates, with no counter-current of securities in the opposite direction; when such a country finds its banks founded in part on foreign capital, its mines sold out to foreign creditors, its railroads in good measure owned and managed if not actually constructed by them, and everything tending more and more to make its people toil and sweat through future ages to foreigners, then I submit that the course on which that country has entered is perilous, and portends evil at hand.

I do not insist that a nation should prize gold and silver above wealth, seeking to import and amass them; I do not say that a moderate afflux of the precious metals from a country which bounteously produces them is to be deprecated; I do not say that a nation should never owe a silver abroad, nor import a fraction more than its exports in a given year; but I do hold that a nation, like an individual or a family, should pay as it goes; should buy no more than it can pay for; should dread running into debt, and avoid it when it may; and that the exportation of its coin or bullion beyond the amount of its annual product is improvident, thriftless, and tempts as well as tends to financial disaster. "In time of peace and fair harvests we need not run in debt, and should not."—*Greely's Political Economy*, page 67.

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